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GOVERNOR

STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES
DIRECTOR

November 14, 2008

The Honorable Michelle McManus, Chair
Senate Appropriations Subcommittee
on Natural Resources
S-2 Capitol Building
P.O. Box 30036
Lansing, Michigan 48909-7536

The Honorable Michael Lahti, Chair
House Appropriations Subcommittee
on Natural Resources
S-1489 House Office Building
P.O. Box 30014
Lansing, Michigan 48909-7514

Dear Senator McManus and Representative Lahti:

Pursuant to Section 806, PA 122 of 2007, a report of the Department of Natural Resources' (DNR) timber treatments, during the fourth quarter of Fiscal Year 2007-08, is attached.

If you have any questions, please feel free to contact me.

Sincerely,

Sharon M. Schafer, Chief
Budget and Support Services
517-335-3276

Attachment

cc: Senate Appropriations Subcommittee Members
House Appropriations Subcommittee Members
Ms. Jessica Runnels, Senate Fiscal Agency
Dr. Kirk Lindquist, House Fiscal Agency
Mr. Robert Emerson, State Budget Director, Department of
Management and Budget (DMB)
Mr. Jacques McNeely, DMB
Ms. Jennifer Harrison, DMB
Director Rebecca Humphries, DNR
Ms. Arminda Koch, Resource Management Deputy, DNR
Mr. Rodney Stokes, Chief of Staff, DNR
Mr. Daniel Eichinger, Legislative Liaison, DNR
Ms. Lynne Boyd, DNR
Mr. Joseph Taylor, DNR
Mr. Jason Crandall, DNR`

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**Department of Natural Resources
Timber Report
Fourth Quarter FY 2007-08**

Background

In December 2005, Michigan's state forest system was certified under both the Sustainable Forestry Initiative (SFI) and the Forest Stewardship Council (FSC) third party forest certification protocols. Forest certification protocols require public participation in forest management planning and forest operations. Certification is essential in order for primary wood producers in Michigan to have continued access to national and international markets.

The Department of Natural Resources' (Department) investment in forest certification strengthens Michigan's forest products sector. The Department's compartment review process has been audited by both the SFI and the FSC and has been recognized as a key public participation mechanism that meets requirements for forest certification.

Fourth Quarter FY 2007-08 Timber Treatments

State forest planning and activities, including timber treatments, are conducted within the framework of SFI and FSC forest certification principles and standards, which take into consideration wildlife habitat and recreation uses.

Each year timber harvest treatments are prescribed for both softwood (coniferous) and hardwood (deciduous) tree species. Although hardwood and softwood trees often grow together, forest stands are typically coded by the predominant tree species present. The table below reports by Year of Entry (YOE) hardwood¹ forest stands prescribed for treatment.

Year of Entry (YOE)	Hardwood acres prescribed
2006	34,178
2007	34,758
2008	41,144

The Fiscal Year 2007-08 plan of work identified 69,454 acres that were approved through the compartment review process which could be available for timber sale preparation. Resources were allocated for 62,445 acres. The total number of inventory acres accomplished was approximately 60,800 acres. Acres not resourced or accomplished are carried over to the next fiscal year.

As part of the plan of work, harvest and regeneration treatments were approved for the Red Pine Project in FY 2007-08. Funded by the Michigan Forest Finance Authority with a 21st Century Jobs Fund allocation, the Red Pine Project is designed to accelerate red pine management treatments and regeneration. In FY 2007-08, 4,485 acres were planned to be completed as part of the Red Pine Project, and the total number of inventory acres accomplished was approximately 4,800 inventory acres.

¹ Hardwood cover types include aspen, birch, mixed northern hardwoods, oak, swamp hardwoods and lowland poplar.

In FY 2007-08, the Department submitted approximately 54,700 acres for timber sale auction from the state forest system with an estimated volume exceeding 862,000 cords. About 50,100 acres and 744,000 cords were submitted as a part of the regular plan of work, and 4,562 acres and about 118,000 cords were submitted as a part of the Red Pine Project.

A total of 59,233.5 acres, with an estimated volume of 896,218 cords, were sold in FY 2007-08. This includes 58,346.5 acres and an estimated 878,904 cords from the regular plan of work, and 887 acres and an estimated 17,314 cords from the Red Pine Project.

Timber sale marking contracts were awarded in the second through fourth quarters of FY 2007-08 for a total of 9,955 acres. This total includes 6,436 acres from the regular plan of work and 3,519 acres from the Red Pine Project. An additional 255 acres which were initially planned to be contracted, but were not bid on, were subsequently worked on by internal staff.

Changes made to the appraisal and no bid processes in FY 2006-07 were continued into FY 2007-08 and helped the Department to be responsive to market pressures and continue to sell timber stumpage. As a result, the percentage of sales not receiving bids was at a three year low of about 9%. This is a significant drop from 24% of sales not receiving bids in FY 2006-07. The table below summarizes the number and percentage of sale offerings with no bids for FY 2007-08.

No-Bid Summary

FY 2007-08	Total Sales offered in the quarter ²	Offerings with no bids ³	Percent (%) of sales that were no-bid
1 st quarter	252	38	15%
2 nd quarter	177	10	6%
3 rd quarter	172	9	5%
4 th quarter	140	12	9%
Total	741	69	9%

² Includes sales that have been modified and re-offered.

³ Includes sales that were no bid more than once.

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